



# County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 713, Los Angeles, California 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA  
Chief Executive Officer

October 8, 2010

Board of Supervisors  
GLORIA MOLINA  
First District

MARK RIDLEY-THOMAS  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

To: Supervisor Gloria Molina, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

## SACRAMENTO UPDATE - FY 2010-11 STATE BUDGET

After an all-night marathon session, early this morning the Senate approved SB 870, the Omnibus Budget Bill, by a vote of 27 to 9. The Assembly passed the same measure by a vote of 54 to 1 late yesterday. SB 870, along with a package of 20 budget bills, will now proceed to the Governor for enactment of the FY 2010-11 State Budget Act, which is now 100 days overdue.

The final budget plan includes \$87.5 billion in State General Fund expenditures and contains \$18.2 billion in solutions to address the State's deficit in FY 2010-11. The budget also provides for a modest reserve of \$364.0 million. It should be noted that the final budget plan fails to address the State's structural budget which is already anticipated to be in a deficit for the start of FY 2011-12. As agreed by the Governor and the four Legislative leaders, the final agreement contains no new taxes and addresses the budget shortfall as follows:

FY 2010-11 State Budget Agreement Solutions		
Expenditure Reductions	\$ 7.5 billion	41.0%
Federal Assistance*	\$ 5.3 billion	29.0%
Alternative Funding, Fund Shifts and Other Revenues	\$ 2.8 billion	15.3%
Revenues from LAO Projections and Tax Break Delays	\$ 2.4 billion	13.1%
Alternative Funding – Hospital Fees and Student Loan	\$ 0.5 billion	2.7%
Updated Workload Costs	\$ -0.2 billion	-1.1%
<b>Total Budget Solutions</b>	<b>\$ 18.2 billion</b>	<b>100.0%</b>
Year-End Reserve	\$ 0.4 billion	

\*Assumes additional Federal funding based upon the Administration's latest estimates.

*"To Enrich Lives Through Effective And Caring Service"*

**Please Conserve Paper – This Document and Copies are Two-Sided  
Intra-County Correspondence Sent Electronically Only**

The Governor held a press conference on the passage of the State Budget this morning and indicated that although he intends to sign it, he plans to line-item veto \$965.0 million in additional spending cuts in order to increase the year-end reserve. Therefore, the restoration of funding for various programs in the final budget plan, including CalWORKs and Child Welfare Services, still remain at-risk.

### **Estimated Impact on the County**

**Based on our preliminary review of budget bill language available, at this time we estimate that the impact on the County would decrease from a projected \$14.2 million loss from the Conference Committee Budget to a potential \$7.9 million in savings included in the final plan approved by the Legislature. However, we anticipate that all of this savings will be eliminated and the County will likely experience significant losses, as the Governor plans to use his line-item veto authority to reduce spending by an additional \$965.0 million. Over the last two years, the County experienced a loss of \$117.0 million solely as a result of Governor's line-item vetoes to programs such as CalWORKs, Child Welfare Services, Healthy Families, Medi-Cal and others.**

### **Major actions of interest to the County included in the Final Budget Agreement:**

- \$15.0 million loss from the delay of deferred mandate payments;
- \$15.0 million potential savings from a reduction in the In-Home Supportive Services (IHSS) caseload growth;
- \$11.9 million to reimburse the County for prior year election costs;
- \$ 8.0 million loss from reductions to Medi-Cal Administration funds;
- \$ 7.0 million potential savings from a 3.6 percent reduction in authorized IHSS recipient hours; and
- \$ 4.9 million loss from the suspension of various SB 90 Mandate Claims.

Attached is the fiscal and programmatic impact on the County.

### **Mandate Securitization**

The final budget plan also contains the authorization for cities, counties and special districts to securitize future payments associated with deferred mandate payments owed by the State to local governments for FY 2004-05 and prior years. **The State owes local governments an estimated \$1.0 billion of which the County is owed approximately \$186.7 million.** The authorizing language is included in SB 866, which passed the Senate and Assembly and is now awaiting action by the Governor.

## **Reform Measures Included in the Final Budget Agreement**

**Constitutional Amendment to Strengthen Budget Reserves.** The final budget package contains a proposed 2012 ballot measure to pursue a Constitutional amendment to increase the State's budgetary reserves and stabilize the State's financial health over time. The measure would increase the maximum size of the existing Budget Stabilization Account from 5 percent to 10 percent of annual State General Fund revenues. The measure also calls for new requirements for depositing State funds into that account and it would restrict withdrawals to certain situations.

**Reductions in Pension Benefits for Future State Employees.** The final budget package includes a measure to reduce pension benefits for newly hired State employees. In general, the measure sets benefit levels for future State employees at levels that were in place for employees prior to 1999. In addition, all future State employees would have their pension benefits calculated based on their highest average annual pay over any consecutive three years of employment, unlike the one-year period applicable for some current State employees. The measure would not affect pension benefits for current State employees and retirees.

As more information becomes available, we will continue to keep you advised.

WTF:RA  
MR:IGEA:sb

### **Attachment**

c: All Department Heads  
Legislative Strategist  
Local 721  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities  
City Managers Associations  
Buddy Program Participants

## FY 2010-11 FINAL BUDGET AGREEMENT

### Health

**Safety Net Care Pool and South Los Angeles Preservation Fund.** The Final Budget Agreement rejects the Governor's January Budget proposal to reduce funding for the Safety Net Care Pool and the South Los Angeles Preservation Fund by 10 percent which would have resulted in an estimated County loss of \$24.4 million.

**Medi-Cal Eligibility for Legal Immigrants.** The Final Budget Agreement rejects the Governor's May Revision proposal to eliminate full-scope Medi-Cal for adult Newly Qualified Immigrants who have been residing in the United States for less than five years which would have resulted in an estimated County loss of \$3.5 million.

**Medi-Cal Cost Containment Strategies.** The Final Budget Agreement rejects the Governor's May Revision proposal to implement initiatives to reduce Medi-Cal expenditures for an estimated State General Fund savings of \$523.0 million.

### Mental Health

**Redirection of Mental Health Realignment Funds.** The Final Budget Agreement rejects the Governor's May Revision proposal to redirect \$602.0 million in local County Mental Health Realignment funds to offset State General Fund costs for the Child Welfare Services and Food Stamp Programs which would have resulted in an estimated County loss of \$195.0 million.

**AB 3632 Program Mandate Payments.** The Final Budget Agreement reduces State General Fund support for the AB 3632 Program by \$52.0 million and provides an augmentation of \$133.0 million in State General Fund for prior year AB 3632 mandate claims. **The Department of Mental Health estimates that this action may result in a reimbursement delay of \$17.5 million for the County's AB 3632 Program.**

### Public Health

**AIDS Drug Assistance Program (ADAP) Services at County Jails.** The Final Budget Agreement rejects the Governor's May Revision proposal to eliminate funding for ADAP services at county jails which would have resulted in an estimated County loss of \$3.9 million.

**Substance Abuse Offender Treatment Program (Proposition 36).** The Final Budget Agreement rejects the Governor's May Revision proposal to eliminate the remaining funding for the Substance Abuse Offender Treatment Program which would have

resulted in a County loss of \$5.5 million to support court-supervised drug treatment services for non-violent offenders.

**Drug Medi-Cal Programs.** The Final Budget Agreement rejects the Governor's May Revision proposal to eliminate Drug Medi-Cal programs with the exception of the Perinatal and Minor Consent Programs which would have resulted in a County loss of \$18.2 million.

**Maternal, Child and Adolescent Programs.** The Final Budget Agreement restores \$2.0 million for the Black Infant Health Program and \$3.0 million for the Adolescent Family Life Program vetoed by the Governor from the FY 2009-10 State Budget Act. **This office is working with the Department of Public Health to determine the impact of this action to the County.**

**HIV/AIDS Programs.** The Final Budget Agreement restores \$52.0 million in State General Funds for HIV/AIDS Programs vetoed by the Governor from the FY 2009-10 State Budget Act. **This office is working with the Department of Public Health to determine the impact of this action to the County.**

### **Social Services**

**CalWORKs Program Elimination.** The Final Budget Agreement rejects the Governor's May Revision proposal to eliminate the CalWORKs Program which would have resulted in an estimated County loss of \$488.6 million for CalWORKs Program administration, employment services, child care, substance abuse, and mental health services and a cost shift to the County of \$339.4 million for families moving to the General Relief Program.

**Cash Assistance Program for Immigrants (CAPI).** The Final Budget Agreement rejects the Governor's May Revision proposal to eliminate CAPI. If 100 percent of individuals who applied for, and were determined eligible for the County's General Relief Program, this proposal would have resulted in an estimated net County cost of \$7.2 million in FY 2010-11 and \$9.6 million annually thereafter.

**Statewide Fingerprint Imaging System (SFIS) Elimination.** The Final Budget Agreement restores \$12.1 million in funding for SFIS for the CalWORKs and Food Stamp Programs. The Senate and Assembly Budget Committees had rejected the Governor's proposal for SFIS funding. The elimination of funding for SFIS would have resulted in an increase in fraud and an associated increase in grant costs, including costs for the General Relief Program for which the County also uses and funds SFIS.

**Child Care Programs.** The Final Budget Agreement rejects the Governor's May Revision proposal to eliminate \$1.2 billion in funding for need-based, subsidized child care programs and instead reduces funding for child care programs by \$48.0 million through a reduction in reimbursement rates to license-exempt providers from 90 percent

to 80 percent of the amount reimbursed to licensed family child care homes and reduces administrative funds. **This action will not result in the loss of child care slots.**

**Medi-Cal Administration.** The Final Budget Agreement reduces State General Funding for county Medi-Cal eligibility operations by \$26.0 million. The Conference Committee had reduced Governor's proposal of \$44.0 million in savings to \$22.0 million. **The Department of Public Social Services estimates that this action will result in a County loss of \$8.0 million.**

**In-Home Supportive Services (IHSS) Program Anti-Fraud Funding.** The Final Budget Agreement provides \$10.0 million to counties for IHSS anti-fraud initiatives. Participating counties are required to provide local matching funds. The County's IHSS Anti-Fraud Plan established 11 IHSS Program integrity initiatives for a combined annual Federal/State/County cost of \$9.4 million, which includes \$1.5 million net County cost.

**IHSS Program Reductions.** The Final Budget Agreement contains \$300.0 million in State General Fund savings which would be achieved through the following:

- Assumes \$190.0 million in State General Fund savings from the establishment of an IHSS provider fee effective July 1, 2010. Each IHSS provider would pay a fee which would be deducted from the provider's paychecks. This will be transparent to both providers, recipients, and the County but will allow the State to draw down the cost in additional Federal funds. **This action results in no impact to the County.**
- Assumes \$35.0 million in State General Fund savings from a 3.6 percent across-the-board reduction in authorized hours for IHSS recipients. The reductions would sunset on June 30, 2012. **The Department of Public Social Services estimates that this action will result in a County savings of approximately \$7.0 million.**
- Assumes \$75.0 million in State General Fund savings from a 2.3 percent reduction in projected IHSS caseload growth. **The Department of Public Social Services estimates that this action will result in a County savings of \$15.0 million.**

**Suspension of IHSS Reductions Enacted in the FY 2009-10 State Budget Act.** The Final Budget Agreement suspends the reductions in IHSS recipient services enacted in the FY 2009-10 State Budget Act until July 1, 2012. The implementation of the reductions was suspended in 2009 due to ongoing litigation. These reductions would have resulted in an estimated annual savings of \$10.8 million in IHSS provider wages and benefits in FY 2009-10.

**Food Stamp Administration Match Waiver.** The Final Budget Agreement includes the County Food Stamp Match Waiver For FY 2010-11 and FY 2011-12, that waives counties' match requirement above their CalWORKs/Food Stamp Maintenance-of-Effort (MOE) requirement to enable counties to draw down the full State General Fund allocation for Food Stamp administration without needing to pay the counties' share of the non-Federal costs above the required MOE.

**Los Angeles Eligibility Automated Determination, Evaluation, and Reporting (LEADER) Replacement System Project.** The Final Budget Agreement maintains \$23.3 million State General Fund (\$45.6 million, including Federal funds) for FY 2010-11 to enable the County to begin the design and development phase of the LEADER Replacement System Project.

**Community Based Services Programs (CBSP).** The Final Budget Agreement restores \$6.4 million in funding for Community-Based Services Programs which includes the Linkages and Alzheimer's Day Care Resource Centers Programs vetoed by the Governor from the FY 2009-10 State Budget Act. **The Department of Community and Senior Services estimates that this action will restore approximately \$536,000 in funding for the County's Linkages and Alzheimer's Day Care Resource Centers Programs.**

**Child Welfare Services Administration.** The Final Budget Agreement restores \$80.0 million in funding to the Child Welfare Services Administration vetoed by the Governor from the FY 2009-10 State Budget Act. **The Department of Children and Family Services estimates that this action restores \$1.4 million to the County's non-waiver programs.**

### **Public Safety**

**Local Custody of Felony Offenders and Wobblers.** The Final Budget Agreement does not include the Governor's May Revision proposal to shift non-serious, non-violent, and non-sex offenders convicted with felony sentences of three years or less to serve in county jails or the Democratic Budget Proposal to shift wobbler offenders from the State prisons to county jails.

**Local Probation Supervision of Juvenile Offenders.** The Final Budget Agreement shifts supervision of juvenile parolees from the State to county probation departments. Counties will receive \$15,000 per parole, per year for up to 24 months and \$115,000 per ward for juveniles detained in county detention facilities. The Probation Department indicates that this proposal would increase the number of juvenile parolees under supervision of the Department by 100 to 150 juveniles in FY 2010-11, increasing by 450 to 500 juveniles by FY 2012-13. **The Probation Department estimates that the funding provided should be sufficient to cover the County costs for supervising juvenile parolees.**

**Local Safety and Protection Account.** The Budget Agreement does not include the Governor's May Revision proposal to allocate \$502.9 million in State General Funds beginning in FY 2011-12 for the Local Safety and Protection Account to fund local public safety programs including: Citizens' Options for Public Safety (COPS), booking fees, Juvenile Justice Crime Prevention Act grants and the Juvenile Justice Probation Camp (JJCPA) Fund or the Democratic Budget Proposal to extend the 0.15 percent increase in the Vehicle License Fee (VLF) for local public safety programs. These programs are currently funded by a temporary increase in the VLF which is set to expire on June 30, 2011.

### **General Government**

**State Mandates.** The Final Budget Agreement suspends and defers various mandate payments for a State General Fund savings of \$232.0 million. This includes \$137.0 million due to the suspension of all State mandates except those related to elections, law enforcement, or property taxes, and \$95.0 million in mandate deferral payments for FY 2010-11 that are due to counties for costs incurred prior to FY 2004-05. **This will result in an estimated County loss of \$19.65 million, which includes suspension of SB 90 State mandates with a County loss of \$4.65 million and delay of deferred mandate payments (prior to FY 2004-05) with a County loss of \$15.0 million.**

**Open Meetings/Brown Act Mandate – Suspension.** The Final Budget Agreement adopts a plan by the Legislative Analyst Office to end State reimbursement to local governments for complying with portions of the Brown Act, and to make reimbursable aspects of the Brown Act optional. **The Executive Office indicates that this action will result in an estimated County loss of \$270,000 annually.**

**Election Reimbursement.** The Final Budget Agreement provides a one-time increase of \$68.2 million in local assistance to reimburse counties for costs incurred in the May 19, 2009 Statewide Special Election. **The estimated County share is \$11.9 million.**